

March 8, 2016

Additional Information to **Clarify** the
Rate Proposal for
Reactive Supply and Voltage Control Service
Discussed in the FRN and
in the Customer Brochure

Reactive Supply & Voltage Control Service

Formula Rate:

$$\begin{array}{lcl} \text{VAR} & & \text{Annual Revenue Requirement for VAR Support Service} \\ \text{Support Service} & = & \hline \text{Formula Rate} & & \text{Transmission Transactions in WACM} \\ & & \text{Requiring VAR Support Service (kW)} \end{array}$$

Where:

- Numerator is: Annual Revenue Requirement for VAR Support Service = (Revenue Requirement for Generation x % of Resource Capacity Used for VAR Support Service (1 Minus Power Factor)) + **Other Resources, e.g. energy and transmission costs for condensing Federal generating units.**
- Denominator is: **Transmission Transactions in WACM Requiring VAR Support Service** = Transmission Capacity usage on Federal Transmission Systems (Point-to-Point Transmission Service as well as Network Service on LAPT and CRCM Transmission Systems) + Transmission Capacity usage by any applicable non-Federal TSPs inside WACM

Note: Proposed Changes to the Formula Rate are noted in **Red**

Current Charging Practices

- The LAPT & CRCM TSPs do not assess VAR Support to certain Transmission Customers who are taking service on the LAP and CRSP Federal Transmission Systems
 - Some Transmission Customers have been given exemptions based on the following requirements:
 - They must have generation resources inside WACM BA
 - They must agree to make those resources available to WACM BA
 - **Concern** - Unless the transmission customer has generating resources directly connected to a Federal Transmission Facility owned and operated by LAPT and/or CRCM, those resources cannot be used to support the LAPT/CRCM systems
 - Exemption must be documented in the Transmission Customer's service agreement
 - **Concern** - For the TSPs who have generation inside WACM BA, there is no contractual agreement between WACM BA and the TSPs to identify TSPs role and commitment for providing VAR support
 - Some Transmission Customers currently receiving exemptions have commitments to other TSPs; therefore, receiving dual credit
 - Exemptions shift costs to remaining, non-exempted, LAP & CRSP Transmission Customers
- WACM does not currently charge any non-Federal TSPs (or their transmission customers) for VAR Support Service
 - Assumption has been registered TSPs inside WACM BA are also transmission operators and they monitor their respective system and address voltage control independently and sufficiently
 - **Concern** - Not all TSPs are in fact Transmission Owners
 - **Concern** - Not all TSPs have generation inside WACM BA

Proposed Charging Practices

- The LAPT and CRCM TSPs will eliminate the existing VAR Support Service exemptions and begin assessing VAR Support charges for all transmission transactions on the LAP and CRSP transmission systems as contract provisions allow.
 - Unless the Transmission Customer has generating resources directly connected to a Federal Transmission Facility owned and operated by LAPT and/or CRCM and has agreed, via a contract, to support the Control Area operator in providing VAR Support Service
 - Elimination of exemptions and application of VAR Support Service charges to all Federal Transmission Customers will provide consistency in application of this service
 - Estimated 18% reduction in the VAR Support Service charge
- Outside of this rate adjustment process, Western-RMR is pursuing efforts to verify non-Federal TSPs are in deed providing adequate VAR Support Service for their own systems.
 - If it is determined a TSP is not providing sufficient VAR Support Service, WACM may assess VAR Support Service charges to that non-Federal TSP

Proposed Charging Practice - Clarification

- Ok, so what does “Eliminate the existing VAR Support Service exemptions and begin assessing VAR Support charges for all transmission transactions on the LAP and CRSP transmission systems as contract provisions allow” mean?
 - Basically, it means **if you have a transmission service contract with LAP and/or CRSP, you will be charged for VAR Support Service based on the kW applicable to that contract.**
 - As an example: A LAP Transmission Customer has a NITS agreement and has been given an exemption/waiver for paying VAR Support Service.
 - Today that LAP Transmission Customer is charged for NITS Service based on each month’s rolling average 12-cp based on the Peak Delivered per Meter minus LAP entitlements, if applicable, and is charged nothing for VAR Support Service.
 - Under the Proposal, that LAP Transmission Customer will continue to be charged for NITS Service based on that same 12-cp value and will also be charged for VAR Support Service based on that same 12-cp value.
 - So if a month’s NITS Service is based on 5,000 kW, the VAR Support Service is based on 5,000 kW.

Proposed Charging Practice - Clarification

- Ok, so what does “Outside of this rate adjustment process, Western-RMR is pursuing efforts to verify non-Federal TSPs are in deed providing adequate VAR Support Service for their own systems” mean?
 - Basically, it means if WACM’s assessment suggests that a TSP may not be providing sufficient VAR Support Service for its transmission system;
 - WACM will work with that TSP to correct the situation so that the TSP can be deemed by WACM to be providing adequate VAR Support Service OR
 - WACM will assess VAR Support Service charges to that non-Federal TSP according to the L-AS2 rate schedule.
 - If WACM provides VAR Support Service on behalf of any non-Federal TSP, VAR Support Service will be assessed based on either the TSP’s reserved capacity or the tagged megawatt usage of the TSP’s Transmission Customers.